Supreme Court, U. S.
FILED
JAN 22 1976
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1975

No. 75-1037

MOOG INC.,

Petitioner,

vs.

PEGASUS LABORATORIES, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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IN THE

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MOOG INC.,

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Sixth Circuit entered in the above-entitled case on September 5, 1975.

Citations to Opinions Below

The opinion of the Court of Appeals is reported at 521 F.2d 501 and is reprinted in the Appendix hereto (pp. 26a-36a). A first memorandum opinion of the District Court containing initial findings is reported at 376 F.Supp. 439 and is reprinted in the Appendix hereto (pp. 1a-13a). A

second memorandum opinion of the District Court containing additional findings is reported at 376 F.Supp. 445 and is reprinted in the Appendix hereto (pp. 14a-25a).

Jurisdiction

The judgment of the Court of Appeals was entered September 5, 1975 (Appendix, pp. 37a-38a). A petition for rehearing in banc was denied on October 24, 1975 (Appendix, p. 39a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

The Court of Appeals for the Sixth Circuit construed 35 U.S.C. § 135(c) so as to hold the patent in suit permanently unenforceable for mere tardiness in filing a subsequent agreement modifying an earlier and timely-filed complete interference settlement agreement. The subsequent agreement was made after priority was determined by the parties pursuant to said earlier agreement, but did not affect such determination of priority. The questions presented are:

1) Does 35 U.S.C. § 135(c) authorize a patent to be declared permanently unenforceable when an interference settlement agreement involving the patent or its application is actually filed, albeit untimely?

2) Does such a subsequent agreement have a sufficient nexus with termination so as to be regarded as "made in connection with or in contemplation of the termination of the interference", within the meaning of 35 U.S.C. § 135(c), and thereby need to be filed?

3) Did Congress intend the filing times stated in 35 U.S.C. § 135(c) to be directory or mandatory with respect to such a subsequent agreement?

Statute Involved

The provisions of Section 135(c) added to the 1952 Patent Act by amendment October 15, 1962 [35 U.S.C. § 135(c)] are as follovs:

> "(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.
>
> The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.
>
> Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act."

Statement of the Case

Petitioner sued respondent in the Eastern District of Michigan, Southern Division, for infringement of W. C. Moog patent No. 3,228,423, applied for on January 23, 1956 and issued on January 11, 1966.

The following salient facts are undisputed in the record.

The patent in suit relates to an electrohydraulic servovalve having an isolation barrier between a dry electrical section and a wet hydraulic section to prevent malfunction.

The application for such patent became involved in two separate interferences with two patent applications owned by Bell Aerospace Corporation. One interference was a contest to determine who was the first inventor of a generic invention in which the barrier was characterized as a "flexure member", and the other was for a species invention which characterized the barrier as a "flexure tube". The W. C. Moog application disclosed a servovalve having a "flexure tube" barrier, necessarily an embodiment of both inventions. One of the Bell applications (Wolpin et al.) disclosed an embodiment only of the generic invention and not the specific improvement invention having the "flexure tube". The other Bell application (Buchanan) disclosed the "flexure tube" form.

In 1964, petitioner Moog (owner of the W. C. Moog application) entered into separate but identical patent interference settlement agreements with Bell, one for each interference. Copies of both were filed in the Patent Office within seven days following execution. Each agreement prescribed a conventional procedure for the parties to determine priority, the loser receiving a fully paid up nonexclusive and irrevocable license under the winner's patent along with the right to sublicense others.

Consistent with the procedure established in the 1964 agreements, the attorneys for Moog and Bell determined, on the basis of priority proofs exchanged, that Wolpin et al. was the first inventor of the generic "flexure member" invention and W. C. Moog was the first inventor of the species "flexure tube" invention.

Thereafter, but before the interferences were officially terminated by the Patent Office, Moog and Bell entered into a pair of separate but identical 1965 supplemental agreements, one for each interference. These supplemental agreements simply revoked the sublicense right, without disturbing the main license of the interference loser, nor changing the priority determination.

These 1965 supplemental agreements were not timely filed in the Patent Office, partly due to a belief that there was no need to file them and partly due to inadvertence, according to Bell's attorney's uncontroverted testimony. They were submitted to the Patent Office only after another attorney for Bell recommended doing so. This occurred about eleven months after the interferences had been officially terminated.

The 1965 supplemental agreements were received by the Patent Office and placed in the appropriate interference files so as to be accessible for inspection, in the exact same manner as the Patent Office had dealt with the timely-filed 1964 agreements.

No detriment in the form of prejudice or injury to anyone resulted from the tardy filing of the supplemental agreements, even assuming they had to be filed.

The Court of Appeals for the Sixth Circuit, in affirming the District Court, concluded that there was a need to file each 1965 supplemental agreement, and because they were

untimely filed, held the patent in suit permanently unenforceable without seemingly considering, certainly not explicitly, petitioner's arguments that the forfeiture penalty of the statute was not authorized where there was an actual although untimely filing, as here, or as to why mere tardiness in filing should stay imposing the sanction.

ARGUMENT

Reasons for Granting the Writ

This case should be reviewed on certiorari because it involves important questions concerning interpretation of a federal law which have not been, but should be, settled by this Court.

The statute involved simply requires the filing of a copy of a patent interference settlement agreement so that it will be accessible for inspection and facilitate the collection of information. The purpose is to discourage improper settlements detrimental to the public interest, such as those violative of the antitrust laws, through the required act of filing on the public record. The statute requires no review of a filed agreement by anyone, neither the Patent Office nor the Justice Department. In short, the simple act of filing was thought to provide the intended deterrent effect.

Testimony before Congress on the bill revealed that there was an annual average of 774 patent interferences for the years 1957 through 1961; that about 80% of such interferences are settled between the parties; and that settlement is to be encouraged. These figures indicate that likely over 600 interference settlement agreements are required to be filed per year.

It is important for the parties to such interference settlement agreements to know the scope of their filing obligations under the statute and need the guidance of this Court, especially since the lower court decisions in the instant case leave the intent and meaning of the statute in a state of confusion, such as by focusing on the content of such agreements rather than on the fact of their filing, and by failing to apply established principles of statutory construction.

The questions presented herein are important ones of first impression. Only three reported cases are known to petitioner's counsel which have dealt with 35 U.S.C. § 135(c), and none involved the present questions, and none had been decided when the 1965 supplemental agreements in the instant case were filed.

In the first case, *Old Dominion Box Co. v. Continental Can Co.*, 273 F.Supp. 550 (S.D.N.Y. 1967), affirmed, 393 F.2d 321 (2d Cir. 1968), the District Court considered an agreement to be subject to the filing requirement of 35 U.S.C. § 135(c) and, since it was not filed in the Patent Office, held the involved patent to be unenforceable under this statute. The District Court also held the same patent invalid over prior art. The Court of Appeals affirmed on the issue of invalidity and stated that this rendered unnecessary resolution of the issue of unenforceability under 35 U.S.C. § 135(c).

The second case, *Esso Research & Engineering Co. v. Brenner, Com'r. Pats.*, ____ F.2d ____, 165 U.S.P.Q. 486 (D.C. Cir. 1970), was a mandamus proceeding against the Commissioner of Patents to compel him to receive a patent interference settlement agreement tendered four years late because of inadvertence. The Commissioner contended he had no authority to accept the agreement after the expiration of the statutory six-months' grace period following

the interference termination. The decision revolved about the limited question of whether the Commissioner had given notice of the filing requirement a "reasonable" time prior to the termination, it being held that he had.

The evidence in the third case, *Forbro Design Corp. v. Raytheon Co.*, 390 F.Supp. 794 (D. Mass. 1975), revealed that one claim of the patent in suit, but not one of the claims asserted against the accused infringer, had been involved in an interference in which priority had been awarded to the patentee by the Board of Interference Examiners on the basis of stipulated evidence submitted after the interferants had entered into a written non-exclusive, royalty-free, cross-license agreement under patents which each owned relating to the same field of subject matter. A copy of such agreement was not filed in the Patent Office. The District Court held that it should have been, but that failure to do so rendered unenforceable only the one claim involved in the interference.

Thus, in each of these three reported cases there was only one agreement which was *never* filed in the Patent Office; unlike the instant case involving a timely-filed patent interference settlement agreement, representing the complete agreement between the parties at the time made, and a subsequently-made modifying agreement which was also actually filed, but only tardily.

In the instant case, the Commissioner actually received and filed the 1965 Moog-Bell supplemental agreement, submitted after the six-month grace period; whereas several years later in *Esso* he refused to receive an agreement tendered after the six-month grace period. Thus, an apparent change and inconsistency in the administration of the statute was made by the Commissioner, the propriety of which should be clarified by this Court. This is another reason for the grant of certiorari.

Error in the Court Below

Involved is an alleged violation of a statute, 35 U.S.C. § 135(c), which renders a patent permanently, not purgably, unenforceable. A patent is the government's agreement to enforce the inventor's right to exclude others. See comments of Chief Judge Howard T. Markey, United States Court of Customs and Patent Appeals, to Judges Seminar conducted in 1974 by the Federal Judicial Center, reported at 66 F.R.D. 529, 531, 533. Denying the patentee the right to enforce his patent results in forfeiture of a property right, which equity abhors. Cf., *The Washingtonian Publishing Co. v. Pearson et al.*, 306 U.S. 30, 39-42 (1939).

A statute authorizing the forfeiture of property without compensation is penal in nature and must be strictly construed according to its express letter. *One Plymouth Sedan v. Pennsylvania*, 380 U.S. 693, 700 (1965); *Stapleton v. $2,438,110*, 454 F.2d 1210, 1216 (3rd Cir. 1972). According to the language of the statute here involved, the forfeiture penalty is associated with the failure to file. Thus, the act of filing is the essence of the statute. If there was actual filing, as in the instant case, the forfeiture penalty should not be imposed, contrary to the ruling of the Court below.

The following admonition of Mr. Justice Frankfurter in *62 Cases of Jam v. United States*, 340 U.S. 593, 600 (1951), seems appropriate:

> "In our anxiety to effectuate the congressional purpose of protecting the public, we must take care not to extend the scope of the statute beyond the point where Congress indicated it would stop."

Before such forfeiture penalty is imposed under the statute here involved, three factors should be considered, to wit: (1) the need to file a particular agreement; (2) any

actual filing of the agreement; and (3) the timeliness of any actual filing.

In the instant case, the Courts below devoted their entire analysis to determining that there was a need to file the supplemental agreement, and recognized that it was actually filed, but failed to consider, certainly not expressly, the legal consequence of the mere tardiness in such filing.

Even if it is assumed *arguendo* that the supplemental agreement was of the type contemplated by the statute to be filed, the unequivocal fact remains that it was actually filed, albeit untimely.

A forfeiture penalty is not to be exacted unless the accused conduct violates both the "letter" and the "spirit" of the law. *United States v. One 1936 Model Ford V-8 Deluxe Coach,* 307 U.S. 219, 226 (1939); cf., *Harrison v. Vose,* 50 U.S. (9 How.) 372, 378-379 (1850). While there may have been a literal noncompliance with the various time provisions in the statute here involved in connection with the filing of the supplemental agreement, there has been a compliance with the spirit of the statute. This is at least substantial compliance, especially since no one has been injured by the tardy filing, and there is plausible excuse for the tardiness based on uncontroverted testimony which the Court below failed to see and refused to consider on rehearing.

Whether an agreement filed under the statute has any antitrust implication, extensively explored by the Courts below with respect to the supplemental agreement, is totally irrelevant to a determination of whether or not there has been a violation of this statute sufficient to impose its forfeiture penalty. The alleged violation of 35 U.S.C. § 135 (c) sufficient to impose the sanction presents a narrow de-

fense hinging on limited facts, and represents only one of several pleaded defenses against the patent in suit, the balance of which are preserved for future trial in the event the sanction of permanent unenforceability is finally ruled unjustified.

It is submitted that the statute involved here is concerned primarily with the need to file an agreement entered into before priority of inventorship is determined, such determination being the very object of an interference. The statute prefers filing "before the termination of the interference" as between the parties. In the instant case, the supplemental agreement was made after the interferants properly determined priority as between them. Such determination was not disturbed by the supplemental agreement, which was made after *de facto* termination of the interference. Therefore, whether "termination" as used in the statute is construed to mean official termination, when so declared by the Patent Office, or *de facto* termination, as by the parties deciding priority, certainly can affect the legal obligation to file an agreement. For that matter, so can any post-termination agreement regardless of how "termination" is interpreted. The statute is ambiguous on what type of "termination" controls the need to file, and requires interpretation which this Court should provide.

While there may be a general rule that a statute, requiring the doing of things within a specified time, addressed to private individuals, as opposed to public officers, is generally considered mandatory rather than directory, the Court below failed to recognize and apply the exception that, where there is only tardy performance of a statutorily prescribed act and the time of performing the essential act does not have substance, the penalty should not be imposed. This exception was applied by federal courts con-

cerning federal statutes and regulations in *United States v. G. W. Van Keppel*, 321 F.2d 717 (10th Cir. 1963); *Antonopulos et al. v. Aerojet-General Corp.*, 295 F.Supp. 1390 (E.D. Cal. 1968); *Pearce v. United States*, 226 F.Supp. 702 (W.D.N.Y. 1964); and by state courts concerning state statutes in *Chisholm v. Bewley Mills*, 287 S.W.2d 943 (Sup. Ct. Texas 1956); *Christgau v. Fine et al.*, 27 N.W.2d 193 (Sup. Ct. Minn. 1947).

Factors about the statute here involved, such as its purpose being merely to render information accessible, the absence of any required review of a filed agreement, the provision of various times for filing, and the absence of language expressly restricting filing only to such times, show that Congress did not intend time to be of the essence. These factors persuade the conclusion that the filing time provisions are directory, rather than mandatory. Certainly this should be so with respect to any agreement made subsequent to determination of inventor priority.

Without revealing its reasoning, the Court below in effect held the filing time provisions to be mandatory, erroneously it is submitted.

Conclusion

Petitioner respectfully requests that this petition for a writ of certiorari be granted.

Respectfully submitted,

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APPENDIX

First Memorandum Opinion of the United States District Court

UNITED STATES DISTRICT COURT,

E. D. MICHIGAN, S. D.

June 26, 1973.

MOOG, INC.,

Plaintiff,

v.

PEGASUS LABORATORIES, INC.,

Defendant.

Civ. A. No. 30888.

FEIKENS, District Judge.

Defendant, Pegasus Laboratories, Inc., brings a motion for summary judgment saying plaintiff Moog's patent is unenforceable for failure to comply with 35 U.S.C. § 135(c). Plaintiff resists this motion on a number of grounds.

There has been protracted litigation of a closely related matter in the Western District of New York. Counsel have supplied this court with the record made in that case. Abex Corp. v. Moog, Inc., Action No. 1967-111. Counsel have also indicated the portions of that voluminous record which must be considered in reaching a decision in the instant matter.

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For the purposes of this motion, the court adopts the relevant findings of fact proposed by Moog in the New York proceeding. Thus, this court views the facts in a light most favorable to the respondent. Moog's proposed findings of fact are as follows:

On May 25, 1955, Martin P. Wolpin et al. filed in the United States Patent Office an application (Serial No. 511,088) disclosing a dry motor type electrohydraulic servovalve in which the electrical section is isolated from the hydraulic section by a flexible disc backed up by a knife-edge, the original claims being limited to this "flexible disc" element. The application was assigned to Bell Aerospace Corporation (hereinafter Bell).

On January 23, 1956, William C. Moog, Jr. filed in the United States Patent Office an application (Serial No. 560,573) disclosing a dry motor type electrohydraulic servovalve in which the electrical section is isolated from the hydraulic section by a "flexure tube" or "sleeve member" to which element the original claims were limited. The application was assigned to Moog Servocontrols, Inc., now by change of name to Moog, Inc., the present plaintiff.

On April 12, 1957, J. D. Buchanan filed in the United States Patent Office an application (Serial No. 652,489) disclosing a dry motor type electrohydraulic servovalve in which the electrical section is isolated from the hydraulic section by a "flexible tube" to which element the original claims were limited. The application was assigned to Bell.

In September and October of 1959, the Patent Office suggested two claims to Wolpin et al. and Moog for purpose of interference, one calling for a "flexible member" and the

First Memorandum Opinion of the United States District Court

other for a "flexure member," and stated that a failure to make these claims would constitute a disclaimer of the subject matter involved.

Both Wolpin et al. and Moog copied the two suggested claims into their respective applications.

On December 22, 1959, the Patent Office declared Interference No. 90,770 between the Moog and Wolpin et al. applications on the basis of the copied suggested claims.

On August 6, 1962, the Patent Office declared Interference No. 92,963 between the Buchanan and Moog applications on the basis of two claims, one calling for a "flexible spring metal tube" and the other for a "flexible tube," which Bell had proposed as counts in Interference No. 90,770 and also copied into the Buchanan application to provoke this separate Interference No. 92,963. Before Interference No. 92,963 was declared, Moog had copied into his application the two claims proposed by Bell, and Buchanan had copied into his application three claims suggested by the Patent Office which were identical with claims 10, 12 and 15 already in the Moog application and each calling for a "flexure tube."

On November 18, 1962, the Patent Office gave notice to the parties to both Interferences of 35 U.S.C. § 135(c), requiring the filing in the Patent Office of a copy of any agreement "in connection with or in contemplation of the termination of the interference."

In prospective contemplation of settling Interference No. 90,770 (Moog v. Wolpin, et al.), Moog and Bell entered into a written agreement dated August 21, 1964. By the terms of this agreement, Moog and Bell established a formal settlement procedure providing for:

a. An exchange of proofs of inventorship between the parties to determine which party would be entitled to an award of priority;

b. If the parties were unable to determine which party would be entitled to an award of priority within six months from the date of the agreement, the interference would be resumed in the Patent Office; and

c. The party found not to be entitled to the award of priority agreed to promptly file a concession of priority. In addition, the parties granted to each other non-exclusive paid-up cross-licenses under their respective applications. Each license granted the other party the right to sub-license others.

On the same day, August 21, 1964, Moog and Bell entered into a separate written agreement in prospective contemplation of settling Interference No. 92,963 (Buchanan v. Moog). This agreement established the same formal procedure for exchanging proofs of inventorship between the parties, submitting the dispute to the Patent Office if unresolved six months thereafter, and providing for the concession of priority to the party found to be the first inventor. The parties also cross-granted non-exclusive paid-up licenses under their respective applications which contained the right to sub-license others.

Both of the patent interference settlement agreements of August 21, 1964, represented the complete understanding between Moog and Bell at the time.

Both agreements of August 21, 1964, between Moog and Bell [Interference No. 90,770 (Moog v. Wolpin, et al.); Interference No. 92,963 (Buchanan v. Moog)] were promptly

filed in the Patent Office on August 27, 1964, less than a week after their execution. Each agreement was forwarded to the Patent Office by a letter of transmittal jointly signed by the attorneys for the parties. Receipt of each agreement was acknowledged by the Patent Office by a separate letter, copy of which along with the agreement and its letter of transmittal were placed by the Patent Office in the respective interference file.

Pursuant to the formal procedure established in the agreements of August 21, 1964, the respective attorneys for the parties simultaneously exchanged proofs of inventorship by mail on February 10, 1965. The exchanged proofs comprised documents tending to establish the respective dates of invention.

On March 1, 1965, the attorneys representing Wolpin et al. in Interference No. 90,770 filed a letter in the Patent Office reporting that the parties had exchanged proofs and had determined Wolpin et al. to be the first inventor and entitled to the award of priority. The letter also reported that Moog would file a concession of priority to Wolpin, et al.

On March 4, 1965, the attorneys for Buchanan in Interference No. 92,963 filed a letter in the Patent Office reporting that the parties had exchanged proofs and that it had been determined that Moog was the first inventor. The letter also reported that Buchanan's concession of priority to Moog was being prepared.

On March 4, 1965, Moog's concession of priority was filed in the Patent Office, conceding Wolpin et al. to be the first inventor in Interference No. 90,770 (servovalve including the "flexure member" element).

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On March 5, 1965, Buchanan's concession of priority was filed in the Patent Office, conceding Moog to be the first inventor in Interference No. 92,963 (servovalve including the "flexure tube" element).

On March 16, 1965, Moog and Bell entered into two similar supplemental agreements, one relating to the Wolpin et al. and Moog applications, and the other relating to the Buchanan and Moog applications. By the terms of these supplemental agreements:

a. The parties revoked the cross-right to sub-license others granted by the settlement agreements of August 21, 1964, and

b. Both the settlement agreements and the supplemental agreements were made to be binding upon and to inure to the benefit of successors of each party.

On May 11, 1965, the Patent Office Board of Patent Interferences acknowledged the filing and sufficiency of the concession of priority filed by Moog in Interference No. 90,770.

On May 11, 1965, the Patent Office Board of Patent Interferences notified the parties of the filing and sufficiency of Buchanan's concession of priority to Moog in Interference No. 92,963.

Moog having conceded priority to Wolpin et al. the Wolpin et al. application in Interference No. 90,770 issued on October 5, 1965, as U.S. Patent No. 3,209,782, containing not only broad claims reciting "flexure member" (claims 11, 14) and "flexible member" (claims 10, 12, 13), but also the narrower and only claims asked for before this Interference

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was declared limited to "flexible disc" (claims 1-7) and "diaphragm" (claims 8, 9).

Buchanan having conceded priority to Moog in Interference No. 92,963, Buchanan Patent No. 3,221,760 issued on December 7, 1965, containing only two claims asked for before this Interference was declared and limited to the armature having a "bore" into which the flexible tube fitted, a structural feature not disclosed in the Moog application.

Buchanan having conceded priority to Moog, the same Moog application involved in both Interferences Nos. 90,770 and 92,963 issued on January 11, 1966, containing the identical claims limited to "flexure tube" (claims 1-11) that had been asked for before either Interference was declared, as well as other more limited claims (claims 12-18).

On May 2, 1966, the attorneys for Wolpin et al. under cover of a letter of transmittal identifying Interference No. 90,770, submitted to the Patent Office without previous knowledge of Moog's attorney a copy of that one of the supplemental agreements of March 16, 1965, which related to the Wolpin et al. and Moog applications, both such letters of transmittal and supplemental agreement being placed by the Patent Office in the file of Interference No. 90,770.

On the same date, May 2, 1966, the same attorneys now representing Buchanan, under cover of a letter of transmittal identifying Interference No. 92,963, submitted to the Patent Office without previous knowledge of Moog's attorney a copy of the same supplemental agreement, instead of the other one relating to the Buchanan and Moog applications, both such letter of transmittal and the actually submitted wrong supplemental agreement being placed by the Patent Office in the file of the Interference No. 92,963.

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On May 27, 1966, by letter, copy of which was placed in the file of Interference No. 90,770, the Patent Office acknowledged filing of the appropriate supplemental agreement on May 2, 1966, but stated that no action could be taken because it was filed subsequent to termination of the interference.

On the same date, May 27, 1966, by separate letter, copy of which was placed in the file of Interference No. 92,963, the Patent Office acknowledged filing of the wrong supplemental agreement on May 2, 1966, but stated that no action could be taken because it was filed subsequent to termination of the interference.

On December 19, 1966, the attorney for Moog, under cover of an explanatory letter of transmittal identifying Interference No. 92,963 and captioned "Correction of Obvious Inadvertence in Record of Above Interference," submitted to the Patent Office with previous knowledge of Buchanan's attorney a copy of the correct supplemental agreement which related to the Buchanan and Moog applications, both such letter of transmittal and correct supplemental agreement being placed by the Patent Office in the file of Interference No. 92,963.

On January 5, 1967, by letter, copy of which was placed in the file of Interference No. 92,963, the Patent Office acknowledged filing of the correct supplemental agreement on December 19, 1966, but stated that no action could be taken since it was filed subsequent to termination of the interference.

Initially, this court must dispose of a threshold contention. Moog argues that Pegasus failed to affirmatively

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plead the defense of unenforceability as required by 35 U.S.C. § 282, and thus is barred from asserting it now. Pegasus insists its answer and counterclaim for declaratory relief satisfy this requirement. This court is inclined to adopt defendant's position primarily because "[a]ffirmative defenses are required to be pleaded to prevent surprise." Huszar v. Cincinnati Chemical Works, Inc., 172 F.2d 6, 9 (6th Cir. 1949). In view of the lengthy history of this cause, Moog cannot argue surprise.

Nevertheless, this court does not rest its decision on a liberal reading of Section 282 but rather grants Pegasus' motion to amend its answer to incorporate in its summary judgment motion an affirmative defense of unenforceability. The discretion of this court to allow amendments must be liberally construed. F.R.Civ.P. 15. Indeed, the refusal to allow amendment might be an abuse of discretion. Foman v. Davis, 371 U.S. 178, 83 S.Ct. 227, 9 L.Ed.2d 222 (1962). The absence of surprise eliminates the possibility that this late amendment will work an injustice upon Moog.

This court need not decide all the issues raised by Moog in opposition to summary judgment. Summary judgment must be denied because this court cannot say as a matter of law that unenforceability results from the failure of the parties to the interferences involved here to timely file the supplemental agreements. The sanction prescribed for failure to file under Section 135 is harsh—patent unenforceability. In view of the language of the statute as well as the congressional history, this court does not believe Congress intended unenforceability to result in all cases where parties failed to file supplemental agreements. Two examples come immediately to mind.

First Memorandum Opinion of the United States District Court

First, the statute is silent about supplemental agreements executed after official termination of an interference by the Patent Office. Assuming the six-month grace period is of no assistance, a cursory reading of the statute might lead to the conclusion that since no filing would be accepted by the Patent Office, unenforceability would result. We do not believe Congress intended such a result.

A second example, arguably applicable to the facts at bar, is where a supplemental agreement is merely incidental to the basic termination agreement. Where, for example, the parties execute a supplemental agreement correcting some figures or spellings in the original termination agreement, this court cannot believe Section 135(c) demands a forfeiture of a patent if such an incidental agreement is not timely filed.

The statute requires the filing of "[a]ny agreement or understanding . . . made in connection with or in contemplation of the termination of the interference." This language demands some definite link between the settlement of an interference and the agreement or understanding.

There are situations where the alterations may be so minor as to be practically unconnected with the termination. In other words, there is a distinction between the termination itself and the termination agreement. Where a supplemental agreement is so substantial as to reach back and alter the termination of the interference, filing is required. But where the character of the supplemental agreement is such that it is merely incidental to the termination and, practically, it then only effects the termination agreement, the failure to file should not result in a forfeiture.

First Memorandum Opinion of the United States District Court

The legislative history supports this interpretation. The purpose of Section 135 is "to require the filing in the Patent Office of agreements settling patent interference proceedings." 1962 U.S. Code Cong. and Adm. News, 3286. The agreements which settled the interferences in the instant cause were the termination agreements of August 1964. The supplemental agreements provided for some modification. Unlike the termination agreements, they do not appear to fall within the definition of agreements "settling" an interference.

Moreover, the sum and substance of the legislative hearings as well as the congressional report is that Congress was seeking to check antitrust violations. Congress undoubtedly did not intend parties to an interference to have the option to decide whether or not a termination agreement had antitrust implications. Thus, if the instant case involved only the failure to file the termination agreements, notwithstanding the absence of antitrust allegations, the sanction of unenforceability would be appropriate. But where, as here, the unfiled agreements were supplemental, perhaps without antitrust implications and thus arguably merely incidental, the intent of Congress to impose forfeiture is questionable.

There is no allegation before this court that any actual prejudice resulted to anyone from the failure to file the supplemental agreements. Pegasus suggests in its brief that the supplemental agreements—particularly the revocation of licensing rights granted in the termination agreements—had potential antitrust implications and thus should have been filed.

Pegasus cites authority to this court that is not persuasive. In Esso Research and Engineering Co. v. Brenner, 165 U.S.P.Q. 486 (March 18, 1970), the parties to an interference inadvertently failed to file a settlement agreement. Plaintiff sought to compel the Commissioner of Patents to accept a filing four years after termination. The Commissioner declined and his decision was approved by the District Court and the Court of Appeals. If in the instant case there had been no timely filing of the termination agreements of August 21, 1964, the *Esso Research* case would be compelling. But since the termination agreements were filed in the instant case, the teaching of the Court of Appeals is inapplicable.

Similarly, Old Dominion Box Co. v. Continental Can Co., 273 F.Supp. 550 (S.D.N.Y.1967), affirmed, 393 F.2d 321 (2nd Cir. 1968), is distinguishable from this case. The District Court ruled that a "lengthy agreement" between the parties to an interference was made in contemplation of a termination, and thus the failure to file resulted in unenforceability of the patent. To begin with, the agreement in *Old Dominion* was analogous to the termination agreements in the instant case, and in *Old Dominion* there was no filing whatsoever. Moreover, the court reached its conclusion about the nature of the settlement agreement only after a full trial on the merits. As a result, *Old Dominion* is not helpful to Pegasus' position.

Consistent with the congressional intent to take away from the parties to an interference the option to pick and choose which of their termination agreements have antitrust implications and thus which they need to file, this court

believes that all agreements, whether initial or supplemental, with actual or potential antitrust implications, must be filed in accordance with Section 135(c) or suffer the penalty of unenforceability. But where a supplemental agreement is such that it provides only incidental modification to a termination agreement and there are no antitrust implications, real or potential, the failure to file under Section 135(c) should not result in the imposition of the penalty of unenforceability.

The determination of where the supplemental agreements at bar fit in the above interpretation is a mixed question of fact and law. This court is not prepared to declare Moog's patent unenforceable without presentation of further facts. Therefore, unless evidence on this issue will be presented at the trial on the merits, this court deems it advisable to hold a hearing to decide this question prior to trial. The determination of other grounds advanced by Moog in opposition to summary judgment are held in abeyance pending determination of this issue.

Counsel are instructed to notify this court by letter within fourteen (14) days whether this matter can be resolved by a preliminary evidentiary hearing or more expeditiously at trial of this cause.

An appropriate order may be submitted.

Second Memorandum Opinion of the United States District Court

UNITED STATES DISTRICT COURT,
E. D. MICHIGAN, S. D.

MOOG, INC.,

Plaintiff,

v.

PEGASUS LABORATORIES, INC.,

Defendant.

Civ. A. No. 30888.

May 7, 1974.

FEIKENS, District Judge.

This is an action by Moog, Inc., a New York corporation, against Pegasus Laboratories, Inc., a Michigan corporation, for infringement of United States Patent No. 3,228,423, issued on January 11, 1966 to Moog for a dry motor type electrohydraulic servovalve. Pegasus contends the patent is unenforceable for failure to comply with 35 U.S.C. § 135 (c), which requires interference parties to file with the Patent Office a written copy of any "agreement or understanding" made "in connection with or in contemplation of the termination of the interference".[1]

[1] "Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between

(Footnote continued on following page)

Second Memorandum Opinion of the United States District Court

A history of the interferences which preceded issuance of this patent is contained in the opinion of June 26, 1973, which was entered in this case.[1a] The parties had earlier agreed that the issue of unenforceability under section 135(c) was to be tried on the merits and that this hearing was to be given priority. The June 26 opinion made certain preliminary findings of fact and law; however, no final decision was reached.[2] Further discovery has been conducted and additional proofs submitted. Based upon this evidence and the accompanying briefs and oral argument, the defense of unenforceability can now can be conclusively adjudicated.

(Footnote continued from preceding page)

the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice." 35 U.S.C. § 135(c).

[1a] 376 F.Supp. 439.

[2] The June 26 opinion mischaracterized this procedure as a motion for summary judgment. There had in fact been an earlier motion for summary judgment filed by Pegasus asserting invalidity on these same grounds. That motion was denied because of certain unresolved fact issues surrounding termination of the interferences. The same legal issues were, however, carried over into this separate trial.

Second Memorandum Opinion of the United States District Court

The major problems involved in applying the provisions of subsection (c) to the facts of this case fall generally into two categories. First, there has been some doubt as to whether the relationship between the unfiled agreement and termination of the interference was sufficient to meet the statutory test of connexity. Second, it was argued that the agreement in question was itself not of the type required to be filed. These issues will be individually considered, but first it is important to supplement the provisional findings of fact contained in the prior opinion. Those findings are approved and readopted here, except to the extent they may in any respect be inconsistent with the following recitation, in which case they stand modified accordingly.

Summary of Events

Two interferences were involved. The first was declared in December of 1959, the second in August of 1962. The opposing parties in each case were plaintiff Moog and the Bell Aerospace Corporation.[3] Both parties were notified by the Patent Office of the filing requirements of section 135(c). On August 21, 1964, the parties entered into a written agreement which provided for a settlement procedure requiring the exchange of proofs, to be followed by concessions of priority. The parties also granted each other nonexclusive royalty-free cross-licenses under their respective applications, and each granted the other the right to sublicense third parties. This agreement was properly filed

[3] The Moog application had been assigned by William Moog, Jr. to Moog Servocontrols, Inc., now Moog, Inc. The Bell applications were originally filed by J. D. Buchanan in one instance and Martin Wolpin and others in another. These were subsequently assigned to Bell.

Second Memorandum Opinion of the United States District Court

with the Patent Office for both interferences. After proofs had been exchanged and concessions filed, Moog and Bell entered into a written supplemental agreement dated March 16, 1965, which revoked the previously agreed-upon right of each to sublicense any patent awarded to the other as a result of the interference proceedings. This supplemental agreement was later filed, but not within the time prescribed in the statute.

Origin and Importance of the Supplemental Agreement

On February 10, 1965, Moog and Bell exchanged documents relating to proof of priority, as provided for in the 1964 agreement. On February 15, 1965, Oser (Bell's attorney) telephoned Sommer (Moog's attorney) and reported that Bell was willing to concede priority to Moog in one interference, and Sommer indicated that Moog was tentatively willing to concede priority to Bell in the other. On February 17 Sommer telephoned Oser to report that the cross-concessions were acceptable. It was agreed that the respective concessions were to be prepared and signed but not filed until an understanding could be reached concerning revision of the 1964 settlement agreements to eliminate the sublicensing provisions. Sommer suggested such a revision; Oser was to advise Sommer as to Bell's position on Sommer's proposal. On February 25, after consulting with his client, Oser telephoned Sommer advising that Bell had no objection to the proposed revision. Oser agreed to prepare a draft of the supplemental agreement. The concessions were mailed simultaneously on March 3, and were received in the Patent Office on March 4 and 5. Unexecuted

copies of the supplemental agreement were mailed by Bell's attorney to Moog's attorney on March 3. These were signed on behalf of Moog and on March 8 were returned to Bell for completion. They were signed on behalf of Bell and dated on March 16. On May 11 the Patent Office acknowledged the filing and sufficiency of the concessions and terminated the interferences. Copies of the supplemental agreement were not submitted to the Patent Office until May 2, 1966.[4]

From this sequence of events several conclusions can be drawn. First, the purpose and effect of eliminating the sublicensing provisions in the original settlement agreement was to eliminate the potential for competition in the granting of licenses which would result from each party having the power independently to license third parties under either patent.[5] The result was to restore to each patentee the exclusive power to grant further licenses under its own

[4] Although the agreement submitted for one of the interferences (no. 92,963) was in fact a copy of the agreement in the other interference (no. 90,770), a mistake which was later corrected by submission of a copy of the correct agreement, the variance is immaterial. The supplemental agreements for the two interferences were identical in their terms (and will hereinafter be referred to occasionally as a single agreement), and in any event the dates of filing of both the incorrect and the correct copies were beyon! the statutory period.

[5] At the time of the original agreement neither Moog nor Bell was assured of winning either interference, and the sublicensing provision eliminated the risk of total loss for both parties. However, once they had determined that each was to prevail on certain claims, and that the resultant patents would be blocking patents, the original risk against which both had sought protection was eliminated, and because the value of each patent would be enhanced if held by only one rather than two potential licensors, the parties followed their economic self-interest and eliminated the original pooling-type arrangement.

patent. Second, there was an understanding between Moog and Bell as of February 25, 1965, that such a modification of the 1964 agreement was to be made prior to the filing of the parties' concessions of priority. And third, this understanding was a condition precedent to the filing of those concessions, which was in turn a condition precedent to termination of the interferences.

Relation of the Supplemental Agreement to Termination of the Interference

As noted in the previous opinion, the statutory reference to agreements made "in connection with or in contemplation of" termination requires a "definite link between the settlement of an interference and the agreement or understanding."[6] Whether and to what extent that link must be one of causality was, under the facts as previously known, a significant issue. Assuming that the supplemental agreement was not consummated until formally executed by both parties on March 16, it would have antedated the formal termination on May 11 but would have followed the submission of concessions on March 3, which effectively settled the interference and insured its later pro forma termination by the Patent Office. It would have been connected with and contemplated the settlement of the interference in the sense that it affected who would enjoy the benefits of the patents issued as a direct result of the settlement, but would not have altered the determination of priorities, the filing of concessions, the formal termination, or the ultimate issuance of the patents. To the extent it was merely incidental to the settlement and did not affect the termination,

[6] Memorandum Opinion of June 26, 1973, 376 F.Supp. at 439.

it might arguably fall outside the scope of congressional intent as embodied in section 135(c). There is little helpful case law on the subject,[7] and the legislative history is conflicting.[8]

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[7] It seems there are only two reported opinions in which a court has applied 35 U.S.C. § 135(c), and in neither case did this issue arise. In both Esso Research & Eng'r Co. v. Brenner, 165 U.S.P.Q. 486 (D.C.Cir. 1970), and Old Dominion Box Co. v. Continental Can Co., 273 F.Supp. 550 (S.D.N.Y. 1967), aff'd, 393 F.2d 321 (2d Cir. 1968), the relationship between the unfiled agreement and termination of the interference was strong and direct. In *Esso* "a settlement agreement was rendered and the interference proceeding terminated". 165 U.S.P.Q. at 487. In *Old Dominion*

> "[t]he agreement contained no specific provision for the termination of the interference proceedings as to the Weiss patent, yet the licensing of Federal under the Weiss patent, for all practical purposes, made it improbable that the interference proceedings would or could be continued. The parties to the agreement apparently recognized that fact, for on the very day the contract was entered into counsel for Continental wrote counsel for Federal in regard to the matter of terminating the interference proceedings, which was done." 273 F.Supp. at 562.

Yet in each case the court used language implying that the statute should be applied "as written", a construction which would presumably include agreements far less directly connected to termination than those revealed in *Esso and Old Dominion*. *See* 165 U.S.P.Q. at 487; 273 F.Supp. at 562.

[8] Throughout the legislative history the type of agreement of which filing would be required was referred to as a "settlement agreement", and usage clearly indicates that reference was generally being made to those agreements which cause an interference to be settled and consequently terminated. *See, e.g.,* S.Rep.No.2169, 87th Cong., 2d Sess. 2 (1962), *reprinted in* 1962 U.S.Cong.Code & Ad. News 3286, at 3286:

> "The purpose of this bill is to amend the patent laws to require the filing in the Patent Office of agreements settling patent interference proceedings. . . . Interference proceedings may be terminated in a manner hostile to the public interest by using

(Footnote continued on following page)

This difficult question need not be decided, however, in view of the submission of proof that the supplemental agreement of March 16 was the formalization of an understanding between the parties to the interference which dates back to February 25, 1965, well before the concessions were filed. At least as of that date, an understanding or agreement within the meaning of the statute existed between the interference parties. The use by Congress of the word "understanding" conveys as clearly as possible its intent to include any meeting of the minds of whatever proportions. An understanding is not exempted from the requirements of section 135(c) merely because it is tentative or informal or because certain details are to be filled in at a later date.

Moog has not denied the events in question. Instead, it argues that it is the determination of priority, not

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(Footnote continued from preceding page)

> patent interference settlement agreements as a means of restricting competition. To make such a practice more difficult the bill requires the filing of such agreements in the Patent Office."

See also H.R.Rep.No.1983, 87th Cong., 2d Sess. 1 (1962): "H.R. 12513 would amend the patents laws to require the filing in the Patent Office of agreements settling patent interference proceedings." But on the other hand, there are occasional references which seem to contemplate a somewhat broader meaning for the "connection or contemplation" language. *See, e.g.,* Hearings on H.R. 11015 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 87th Cong., 2d Sess. 11 (1962) (comment of Rep. Willis, chairman of the subcommittee and chief sponsor of the House bill, referring to "side agreements"); *id.* at 17: "The bill in my view . . . would be meaningless if it didn't contemplate that the agreement filed . . . should be the whole agreement."

For a further examination of the legislative history of this provision, in addition to the sources cited above, *see generally* Hearings on H.R. 12513 Before the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary, 87th Cong., 2d Sess. (1962).

the mere filing of concessions, which is the crucial act in termination, and it is that to which the understanding or agreement must be related.

This position is unacceptable. Assuming arguendo that the agreement must in some way be causally related to the termination, the fact remains that this supplemental agreement was a condition precedent to the filing of the concessions, and it was the act of filing these concessions, not the determination of priority, which effected the termination. The situation is not unlike that of any litigant who informally concedes liability. Such an admission may be damning proof against him, but unless he can be persuaded to formally stipulate as to his liability and acquiesce in a settlement of the case, the trial must still be held. A party's admission that his case is hopeless does not of its own force authoritatively declare it so, nor does it end the case if the declarant insists upon the exhaustion of his procedural rights. Because the parties' priority determinations could not have terminated the interferences unless they were submitted to the Patent Office as formal concessions, and because the agreement to remove the sublicense rights was made a precondition to the filing of those concessions, that agreement was made "in connection with or in contemplation of the termination of the interference" under even the most stringent and demanding interpretation of the necessary connexity. How much less would suffice need not now be determined.

Antitrust Implications of the Supplemental Agreement

The opinion of June 26 held that only agreements having "antitrust implications" were required to be filed under section 135(c).[9] Because of the direct connection subsequently revealed between the supplemental agreement and termination of the interference in this case, that condition is now clearly met.

If the agreement materially affects either the issuance or the utilization of a patent, it is intrinsically a matter

[9] The parties have read far more into this holding than was originally intended. It is essentially nothing more than an application of the maxim *de minimis non curat lex,* designed to remove from the statutory ambit agreements so insignificant or innocuous that imposition of a forfeiture for nonfiling would be totally inappropriate and unnecessary, and therefore presumably not intended by the Congress. As noted in the text following this footnote, this problem does not arise if the connection between the agreement and termination is direct and substantial. Such agreements, whatever their content, are necessarily possessed of antitrust significance. However, if the statute is read as also applying to incidental or collateral agreements having only a minimal "connection with" the termination of an interference, then the statute's potential reach is enlarged beyond its rationale of deterring and exposing improper agreements. Admittedly the filing requirement is essentially prophylactic rather than remedial, and thus must apply to all agreements which offer the slightest potential for producing illicit consequences. An after-the-fact determination that the agreement was in fact proper is insufficient to excuse noncompliance. Yet it is conceivable that certain agreements literally connected with or made in contemplation of termination would nevertheless be so far removed from even the *possibility* of impropriety, that even the broad prophylactic purposes of the statute would not be furthered by its application to them. This exception is obviously of very limited scope and will be properly invoked only in rare circumstances. Because it has become clear it does not apply in this case (*see* text, *infra*), there is no need to further define its particulars.

of significance under the antitrust laws. A patent is a strictly limited exemption from the prohibitions against anti-competitive conduct which would otherwise apply to the patentee's monopolistic practices.[10] If a patent is improperly obtained or used, the anticompetitive activities undertaken on its authority may not be protected by the patent laws and may violate the antitrust laws.[11] Thus, any agreement having a causal link with the termination of an interference (*i.e.*, a nonincidental agreement) *per se* has antitrust implications (assuming of course that the termination materially affects ultimate issuance of the patent). Because the supplemental agreement between

[10] *See, e.g.*, United States v. Line Material Co., 333 U.S. 287, 309-310, 68 S.Ct. 550, 92 L.Ed. 701 (1948).

[11] For example, the fraudulent procurement of a patent renders it void. Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 65 S.Ct. 993, 89 L.Ed. 1381 (1945). Proof of fraudulent procurement would therefore strip the patentee of its exemption from the antitrust laws, and require that any anti-competitive actions taken under the aegis of the invalid patent be carefully examined to determine if they contain the elements of an antitrust violation. Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 86 S.Ct. 347, 15 L.Ed.2d 247 (1965). Likewise, "[b]eyond the limited monopoly which is granted, the arrangements by which the patent is utilized are subject to the general law". United States v. Singer Mfg. Co., 74 U.S. 174, 196, 83 S.Ct. 1773, 1785, 10 L.Ed. 2d 823 (1963); United States v. Masonite Corp., 316 U.S. 265, 277, 62 S.Ct. 1070, 86 L.Ed. 1461 (1942), and "the improper use of that monopoly" may subject the patentee to antitrust liability. United States v. Line Material Co., 333 U.S. 287, 310, 68 S.Ct. 550, 562, 92 L.Ed. 701 (1948).

Although not every misuse of a patent necessarily constitutes an antitrust violation, Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 140-141, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969), the potential is sufficiently great to make the use and misuse of patents *per se* a matter of interest and significance under the antitrust laws. *Cf.* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., *supra*.

Moog and Bell was a condition precedent to termination, and was thus essential to issuance of the patent which Moog now seeks to enforce, the agreement was by that fact alone possessed of antitrust implications and should have been timely filed.

The supplementary between Moog and Bell thus falls within the purview of 35 U.S.C. § 135(c). Because it was not timely filed, the patent obtained by Moog as a result of the termination of the interferences is unenforceable. Unenforceability is an absolute defense to a claim of infringement, and judgment must therefore be rendered for the defendant.

An appropriate order may be submitted.

Opinion of the Court of Appeals

COURT OF APPEALS, SIXTH CIRCUIT

MOOG, INC.,

v.

PEGASUS LABORATORIES, INC.

No. 74-2190 Decided Sept. 5, 1975

Before PHILLIPS, Chief Judge, and EDWARDS and PECK, Circuit Judges.

EDWARDS, Circuit Judge.

This case involves United States Patent Office interference proceeding and a statute which regulates any private agreements which are employed to settle such disputes. This statute, 35 U.S.C. § 135(c) (1970), reads as follows:

> (c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause.

> Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.
>
> The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

We hold that this statute is designed to restrict monopolistic practices and (at least for purposes of this case) means just what it says and requires no interpretation. In the facts of this appeal the statute clearly required the District Judge and clearly requires us to find that the patent in suit is "permanently unenforceable."

Plaintiff-appellant Moog, Inc, appeals from a holding by the United States District Court in the Eastern District of Michigan that Patent No. 3,228,423, held by Moog pertaining to a dry motor type electro-hydraulic servovalve is "permanently unenforceable" under 35 U.S.C. § 135(c)

(1970). This litigation originated as a suit brought by Moog against Pegasus Laboratories, Inc., for alleged infringement of its servovalve patent. By answer and amended answer Pegasus pleaded the defense of unenforceability under 35 U.S.C. § 135(c) (1970), and sought summary judgment.

The District Judge accepted for purposes of Pegasus' summary judgment motion Moog's own proposed findings of facts. The District Judge entered two opinions, Moog, Inc. v. Pegasus Laboratories, Inc., 376 F.Supp. 439, 180 USPQ 4 (E.D. Mich. 1973); Moog, Inc. v. Pegasus Laboratories, Inc. 376 F.Supp. 445, 183 USPQ 225 (E.D. Mich. 1974). The first dealt with Moog's procedural objections to consideration of the Pegasus defense based on § 135. No appellate issue is presented on this score. The District Judge also held, however, that § 135 should not be read as requiring the filing on pain of permanent unenforceability of a supplemental agreement providing "only incidental modification to a termination agreement" where "there are no antitrust implications, real or potential." 376 F.Supp. at 445, 180 USPQ at 8. He set the case for hearing upon the question as to whether there was a "definite link between the settlement of an interference and the [disputed] agreement or understanding." 376 F.Supp. at 443, 448, 180 USPQ at 227.

After further proceedings to develop the complete documentary record of the negotiation, execution and ultimate filing of the supplemental agreement, the District Judge entered a second opinion summarizing the pertinent facts:

> Two interferences were involved. The first was declared in December of 1959, the second in August of 1962. The opposing parties in each case were plaintiff Moog and the Bell Aerospace Corporation. Both parties were notified by the Patent Office of the filing requirements of section 135(c). On August 21, 1964, the parties entered into a written agreement which provided for a settlement procedure requiring the exchange of proofs, to be followed by concessions of priority. The parties also granted each other non-exclusive royalty-free cross-licenses under their respective applications, and each granted the other the right to sublicense third parties. This agreement was properly filed with the Patent Office for both interferences. After proofs had been exchanged and concessions filed, Moog and Bell entered into a written supplemental agreement dated March 16, 1965, which revoked the previously agreed-upon right of each to sublicense any patent awarded to the other as a result of the interference proceedings. This supplemental agreement was later filed, but not within the time prescribed in the statute.
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> On February 10, 1965, Moog and Bell exchanged documents relating to proof of priority, as provided for in the 1964 agreement. On February 15, 1965, Oser (Bell's attorney) telephoned Sommer (Moog's attorney) and reported that Bell was willing to concede priority to Moog in one interference, and Sommer indicated that Moog was tentatively willing to concede priority to Bell in the other. On February 17 Sommer telephoned Oser to report that the cross-concessions were acceptable. It was agreed that the respective concessions were to be prepared and signed but not

filed until an understanding could be reached concerning revision of the 1964 settlement agreements to eliminate the sublicensing provisions. Sommer suggested such a revision; Oser was to advise Sommer as to Bell's position on Sommer's proposal. On February 25, after consulting with his client, Oser telephoned Sommer advising that Bell had no objection to the proposed revision. Oser agreed to prepare a draft of the supplemental agreement. The concessions were mailed simultaneously on March 3, and were received in the Patent Office on March 4 and 5. Unexecuted copies of the supplemental agreement were mailed by Bell's attorney to Moog's attorney on March 3. These were signed on behalf of Moog and on March 8 were returned to Bell for completion. They were signed on behalf of Bell and dated on March 16. On May 11 the Patent Office acknowledged the filing and sufficiency of the concessions and terminated the interferences. Copies of the supplemental agreement were not submitted to the Patent Office until May 2, 1966. 376 F.Supp. at 477, 183 USPQ at 227. (Footnotes omitted.)

The District Judge then concluded:

> From this sequence of events several conclusions can be drawn. First, the purpose and effect of eliminating the sublicensing provisions in the original settlement agreement was to eliminate the potential for competition in the granting of licenses which would result from each party having the power independently to license their parties under either patent. The result was to restore to each patentee the exclusive power to grant further licenses under its own patent. Second, there was an understanding between Moog and Bell as of February 25, 1965, that such a modification of the 1964 agreement was to be made prior to the filing of the parties' concessions of priority. And third, this understanding was a condition precedent to the filing of those concessions, which was in turn a condition precedent to termination of the interferences. 376 F.Supp. at 447-48, 183 USPQ at 227. (Footnotes omitted.)

Since the facts in this record appear to us to support (indeed, to compel!) the District Judge's findings of fact and conclusions of law as arrived at in his second opinion, we find no need to deal in this case with the questions considered in his first opinion.

The patent law of the United States is not designed to allow private parties to determine amongst themselves who shall have the right to a legal monopoly. Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 815-16, 65 USPQ 133, 138 (1945). Even less is it intended to support the negotiated grant of two patents upon one invention where the purpose and effect may be that any potential licensee must pay tribute to two separate patentholders. See generally United States v. Addyston Pipe and Steel Co., 85 F. 271, 282-83 (6th Cir. 1898), aff'd, 175 U.S. 211 (1899).

Moog's brief discusses its rationale for desiring this result:

> [The] desire to revoke the sublicense provisions was motivated by a lawful business purpose. Having determined that Wolpin et al. was entitled to the broad

"flexure member" claims of Interference No. 90,770, but that W. C. Moog was entitled to the specific "flexure tube" claims of Interference No. 92,963, it became apparent to attorney Sommer that the Wolpin et al. and W. C. Moog applications would issue as blocking patents. That is, the Wolpin et al. patent would have a dominant "flexure member" claim, while the W. C. Moog patent would be subservient having a "flexure tube" claim. But since every "flexure tube" is necessarily a "flexure member", a prospective licensee who might desire to practice Moog's specific "flexure tube" invention would have to obtain rights under the dominant Wolpin et al. patent, as well as under the subservient W. C. Moog patent. Rights under both patents would be necessary regardless of whether such prospective licensee approached either Bell or Moog. Under the 1964 Agreements, Bell could grant a license under Wolpin et al. and a sublicense under the W. C. Moog patent; conversely, Moog could grant a license under the W. C. Moog patent and a sublicense under Wolpin et al. But it must be remembered that such prospective licensee had no assurance that either Bell or Moog would grant such rights. Only the possibility existed.

Realizing that blocking patents would issue, attorney Sommer foresaw that the sublicense provisions in the 1964 Agreements would be undesirable to Moog for two practica. reasons. First, Moog would not be able to pursue an infringer of its own specific "flexure tube" patent without fearing that such infringer might possibly negotiate a sublicense under Moog's own patent from Bell. Secondly, the 1964 Agreements did not require Bell to account to Moog for any royalties Bell might receive by granting sublicenses under Moog's own patent.

The practical effect of the patents as issued under the filed agreements with the cross-licensing features would have been at least the equivalent from the public point of view of joint ownership of one patent. As Moog points out, there might even have been competition in relation to licensing between Moog & Bell.

Actually, however, unbeknown to the Patent Office, Moog and Bell had also negotiated another agreement by which they revoked their prior undertaking, filed with the Patent Office, that granted licenses and the right to sublicense to each other. The effect of revocation was that neither party could thereafter grant sublicenses under the other's patent. This agreement was formally executed on March 16, 1965, well before May 11, 1965, the date on which the Patent Office terminated the interference. Indeed, the patent in suit did not issue until January 11, 1966. The supplementary agreement was not filed until May 2, 1966, well after each and all of the potential filing dates specified in the provisions of § 135(c).

It appears to this court that this record shows that Moog and Bell did exactly what § 135 was designed to prevent. Their agreement to abrogate their previously filed agreement for cross-sublicensing was illegally withheld from the Patent Office. It represented the very sort of antitrust violation which § 135 was designed to restrain. If it had been disclosed as § 135 required, the nature of the agreement would have been likely to provoke "adverse" action by the Patent Office or the Justice Department.

In the course of consideration of § 135 before the Senate, the Department of Justice over Acting Attorney General Katzenbach's signature outlined the antitrust purpose contemplated for the bill and suggested the unenforceability provision which was enacted:

> The Supreme Court in holding a private interference settlement to be so inequitable as to preclude the enforcement of the resulting patent stated in Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 815-816, 65 S.Ct. 993, 89 L.Ed. 1381, 65 USPQ 133, 138 (1945):
>
> "• • • The possession and assertion of patent rights are 'issues of great moment to the public' [citing cases]. A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'progress of science and useful art'. At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity."
>
> The purpose of this legislation is to make it more difficult for patent applicants to use an interference settlement agreement as a means of violating the anti-

> trust laws. It seeks to accomplish this purpose by providing that no such agreement or understanding shall be enforceable unless all of its terms are in writing and filed prior to the termination of the interference proceeding. It is our view that this prohibition would not adequately deter violations of the antitrust laws. It is therefore suggested that the measure be amended to provide that parties to an interference settlement agreement shall be precluded from enforcing the resulting patent unless a copy of the settlement agreement has been filed with the Patent Office prior to the termination of the interference. In order to protect innocent parties who inadvertently fail to file a copy of their settlement agreement, the Commissioner of Patents should be given the authority to entertain, at any time during the 6-month period subsequent to the termination of the interference, a petition by either party for leave to file a copy of the agreement, which petition may be granted on a showing of good cause for the failure to file within the time prescribed. Further, it is suggested that the bill should provide a right of action in the United States to obtain a civil penalty for failure to file a copy of an interference agreement. S. Rept. No. 2169, 87th Cong., 2d Sess., Reported in 2 U.S. Code Cong. & Adm. News 3286, 3289 (1962).

The Senate Report on § 135 recited its central purpose:

> The purpose of this bill is to amend the patent laws to require the filing in the Patent Office of agreements settling patent interference proceedings. When two or more applicants claim substantially the same invention an interference is declared in order to determine which

> applicant is entitled to priority. Interference proceedings may be terminated in a manner hostile to the public interest by using patent interference settlement agreements as a means or restricting competition. To make such a practice more difficult the bill requires the filing of such agreements in the Patent Office. Id. at 3286.

As we see this matter (and as the District Judge saw it), the withholding of the supplemental agreement cannot be considered an inadvertence.[1] Cf. Esso Research & Engineering Co. v. Brenner, 165 USPQ 486 (D.C. Cir. 1970). The District Court was right in finding a causal relationship between the withholding and the termination of the interference. He was also right in holding that the patent in suit was "permanently unenforceable" under § 135(c).

The judgment of the District Court is affirmed.

---

[1] By noting this, we do not mean to pass on what the legal effect of an opposite conclusion would be.

Judgment of the Court of Appeals

Filed
Sep 5 1975
John P. Hehman, Clerk

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

No. 74-2190

MOOG, INC.,
Plaintiff-Appellant,

v.

PEGASUS LABORATORIES, INC.,
Defendant-Appellee.

Before: PHILLIPS, Chief Judge, EDWARDS and PECK, Circuit Judges.

JUDGMENT

APPEAL from the United States District Court for the Eastern District of Michigan.

THIS CAUSE came on to be heard on the record from the United States District Court for the Eastern District of Michigan and was argued by counsel.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be and the same is hereby affirmed.

Judgment of the Court of Appeals

It is further ordered that Defendant-Appellee recover from Plaintiff-Appellant the costs on appeal, as itemized below, and that execution therefor issue out of said District Court if necessary.

ENTERED BY ORDER OF THE COURT.

JOHN P. HEHMAN,
Clerk.

A True Copy.
Attest:
John P. Hehman, Clerk.

Issued as Mandate:
COSTS: Awarded to Appellee

Filing fee	$.....
Printing	$1,023.65
Total	$1,023.65

Order of the Court of Appeals

Filed
Oct 24 1975
John P. Hehman, Clerk

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

No. 74-2190

MOOG, INC.,
Plaintiff-Appellant,

vs.

PEGASUS LABORATORIES, INC.,
Defendant-Appellee.

Before: PHILLIPS, Chief Judge, EDWARDS and PECK, Circuit Judges.

On receipt and consideration of plaintiff-appellant's motion for rehearing and suggestion for rehearing *in banc;* and

No judge of this court having moved for rehearing *in banc* and the motion for rehearing having been referred to the panel which heard the appeal; and

The court finding no substantial issue presented in said motion which was not considered prior to decision,

Now, therefore, the motion for rehearing is denied.

Entered by order of the Court

JOHN P. HEHMAN,
Clerk.

FILED
FEB 20 1976
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1975

No. 75-1037

MOOG INC., *Petitioner,*

v.

PEGASUS LABORATORIES, INC., *Respondent.*

On Petition for Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

---

BRIEF FOR RESPONDENT IN OPPOSITION

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PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

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CITATIONS

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---

BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The two opinions of the District Court (Appendix of Petition, pp. 1a-25a) are respectively reported at 376 F.Supp. 439 and 376 F.Supp. 445. The opinion of the Court of Appeals for the Sixth Circuit (Appendix of Petition, pp. 26a-36a) is reported at 521 F.2d 501.

JURISDICTION

The Petition adequately sets forth the jurisdictional requisites.

QUESTION PRESENTED

Whether the courts below erred in holding that 35 U.S.C. § 135(c) rendered permanently unenforceable a patent eventuating from an interference where an interference settlement agreement was not filed in the time required by the Statute.

STATUTE INVOLVED

Section 135(c), Title 35, United States Code is reprinted in its entirety in the Petition at p. 3. Its pertinent provisions are as follows:

> "(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. . . . Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. . . ." *

STATEMENT OF THE CASE

This suit was brought in the United States District Court for the Eastern District of Michigan, Southern Division, by petitioner Moog, Inc. [hereafter Moog] against respondent Pegasus Laboratories, Inc. [hereafter Pegasus] charging infringement of United States Letters Patent 3,228,423 [hereafter the patent in suit].

* Two limited exceptions to the requirement for reducing such agreements to writing and filing them prior to termination of the interference are provided for in the Statute. These are not involved here and Moog has failed to contend otherwise either below or in its Petition for Writ of Certiorari.

A separate trial was had on the issue of whether the patent in suit was unenforceable under 35 U.S.C. § 135(c) [hereafter the Statute]. The unenforceability question centered around certain agreements made between Moog and Bell Aerospace Corp. [hereafter Bell] in the course of Patent Office interference proceedings involving the application for the patent in suit.

The Moog patent application disclosed a "dry motor" servovalve characterized by the presence of a flexure member of tubular shape. One interference related to broad "flexure member" claims. The other related to narrow "flexure tube" claims. The relation between the two types of claims was that of blocking patent claims; since every "flexure tube" is a "flexure member", one desiring to use a "flexure tube" would require rights under both the broad and the narrow claims.

As of August 21, 1964, Moog and Bell entered into agreements setting a procedure for determining priority of invention on the basis of a private exchange of priority proofs. As consideration for this private determination of priority the agreements gave each of Moog and Bell full rights to use and license others to use any of the involved patent rights. These agreements were filed in the Patent Office on August 27, 1964, less than a week later.

On February 10, 1965 Moog's representative and Bell's representative exchanged documents by mail. On February 17, 1965 the representatives orally agreed to split the interferences—the broad "flexure member"

claims going to Bell and the narrow "flexure tube" claims going to Moog—, but concessions of priority were not to be filed until understanding was reached on a proposal by Moog for revising the earlier agreements so that neither Moog nor Bell would thereafter have the power to license third parties under patents granted to the other of them on the interfering patent applications.

Bell orally accepted the proposal for modifying the earlier agreements on February 25, 1965. On March 4 and 5, 1965 documents were filed in the Patent Office conceding priority to Bell in the broad "flexure member" interference and to Moog in the narrow "flexure tube" interference.

Execution of documents embodying the new Moog-Bell understanding was completed on March 16, 1965. On May 11, 1965, the Patent Office terminated the interferences; but it was not until almost a year later that the copies of the new Moog-Bell agreements were submitted to the Patent Office. At that time the Patent Office noted that no action could be taken with respect to the documents because they had not been submitted within the time period provided by the Statute for their filing.

The District Court held the patent in suit unenforceable in light of the foregoing facts and the Court of Appeals determined that those facts not only supported but *indeed compelled* the holding of unenforceability. (Appendix of Petition at 31a)

ARGUMENT

Moog's petition for certiorari is not properly founded on any of the grounds most frequently justifying the grant of such a writ by this Court. There is no genuine

constitutional law question. There is no conflict in the law as between different circuits. There is no public policy question of general interest and importance.

Although this litigation in fact involves nothing more than a straightforward application of a statute setting out one prerequisite to the grant of enforceable patent rights in certain situations, Moog bases its plea for the requested writ of certiorari on suggestions that the intervention of this Court is necessary to resolve heretofore unsettled but important questions of federal law. In an attempt to support its plea, Moog:

(a) cites questionable data regarding numbers of cases involving interference settlement agreements as indicative of an aspect of importance associated with the issue here;

(b) argues that the lower court decisions here leave the law regarding the Statute in a state of confusion, thus requiring guidance from this Court; and

(c) claims that the question involved in this case is one of first impression. Moog appears to contend additionally that there was a change in practice by the Commissioner of Patents in administering the Statute, and that this also should be clarified by this Court.

As will be demonstrated below, Moog could not be further from the mark in suggesting that the numerical data on interferences indicate that any questions of widespread import could arise from the present case. Nor is Moog correct in its submissions that this case involves a question of first impression and that the lower courts' disposition of this case leaves the law in a confused state. Finally, the alleged change in practice by the Commissioner of Patents simply does not exist for practical purposes, and, in any event, this is not a

matter on which Moog has standing to complain or on which the Court could properly act in this case.

These factors, coupled with the manifest correctness of the decision below clearly render the present case inappropriate for review by this Court on certiorari.

I.

The Numerical Approach Suggested by Moog Fails to Support Moog's Assertion of an "Important Question"

From old (years 1957-61) data of untested authenticity, Moog speculates that 600 agreements are required to be filed in the Patent Office each year by the Statute. Even this speculated figure is not impressive as an indication of "importance" in any relevant sense. Moreover, the speculated figure has no relation whatever to cases involving the narrow issues in litigation here.

Not even Moog suggests that there has been a statistically significant number of instances where patent applicants have failed to file their interference agreements as required by the Statute. Moog admits that a grand total of three decided cases, other than the present one, on the issue of non-compliance with the Statute have been reported since its enactment fourteen years ago. Hence, it is clearly inappropriate to suggest that statistics on interference settlements in general have anything to do with the number, if any, of legitimate questions which have arisen as to applicability of the Statute.

II.

The Lower Court Decisions Left No Room for Doubt as to the Applicability of the Statute to This Case and Other Similar Cases

The sum and substance of the Statute involved here is that patent rights involved in an interference will be permanently unenforceable unless any interference agreements between the parties are reduced to writing and filed in the Patent Office before termination of the interference. There is simply no controversy that the new Moog-Bell agreements of 1965 were not reduced to writing and so filed prior to termination of the Moog-Bell interferences.

Faced with a hopeless cause, Moog argued that it would be appropriate to create judicially an exception to the plain words of the Statute in some unusual circumstances. At Moog's request, the District Court addressed these clever arguments, and in its First Memorandum Opinion (Appendix of Petition at 1a-13a) refused to assume, for purposes of summary judgment, that patent unenforceability will necessarily result in every possible instance where an interference agreement was not timely filed.

Moog now seizes upon this as an opportunity to argue that:

> "the lower court decisions in the instant case leave the intent and meaning of the statute in a state of confusion, such as by focusing on the content of such agreements rather than on the fact of their filing, and by failing to apply established principles of statutory construction." (Petition at 7)

Moog conveniently overlooks that is was Moog's own earlier arguments which caused the District Court to

look at the content of the agreements as a possible basis on which an exception to the Statute might be founded. Thus the focus about which Moog now complains was optically engendered by its own lenses.

Moreover, no confusion can result from the District Court's willingness in its First Memorandum Opinion to entertain the idea that some day a case might come along where unenforceability for failure to comply with the Statute would be inappropriate. In its later opinion, the District Court went on to find that this clearly was not such a case. In the Court's own words:

> "Because the parties' priority determinations could not have terminated the interferences unless they were submitted to the Patent Office as formal concessions, and because the agreement to remove the sublicense rights was made a precondition to the filing of those concessions, that agreement was made 'in connection with or in contemplation of the termination of the interference' under even the most stringent and demanding interpretation of the necessary connexity. How much less would suffice need not now be determined." (Appendix of Petition at 22a)

The Court of Appeals confirmed this sentiment with the following observation:

> "Since the facts in this record appear to us to support (indeed to compel!) the District Judge's findings of fact and conclusions as arrived at in his second opinion, we find no need to deal in this case with the questions considered in his first opinion. (Appendix of Petition at 31a)

In summary, having requested that the applicability of the Statute be in some respects geared to content of the agreements, Moog should not be heard to

complain of alleged confusion over the need, in certain cases, to examine content, particularly where, as here, the lower courts were both thoroughly convinced that this is not such a case and handed down opinions that were clear on that point. No better case for the acceptance of the concurrent findings of the District Court and Circuit Court of Appeals could be envisioned. *Cf., Goodyear Co.* v. *Ray-O Vac Co.,* 321 U.S. 275, 278 (1944).

III.

The Question of Law in This Case Is Well Settled

Moog's third "reason for granting the writ" embodies a suggestion that this case is one of first impression. However, the patent unenforceability here is no different from that envisioned in the earlier case of *Esso Research and Eng'r Co.* v. *Brenner, Comm'r,* — F.2d —, 165 U.S.P.Q. 486 (D.C. Cir. 1970). In *Esso,* a patentee sued to compel official receipt by the Patent Office of an interference agreement first tendered for filing long after the interference had been terminated; the Patent Office took the position that it had no authority to accept the agreement after the statutory period; and the court upheld the Patent Office position in full recognition that this action had the consequence of confirming the permanent unenforceability of the involved patent under 35 U.S.C. § 135(c):

> "Although the sanction is concededly harsh, especially in a case like this where only human failure—and not deliberate disregard—was apparently involved, only Congress can conceivably relieve appellant from the consequences which surely attach under the statute as written." *Id.* at 487.

Throughout the litigation below and in its present Petition, Moog has continually sought to create some aura of novelty on the basis of the fact that in *Esso* there was an outright refusal to accept the agreement while here the Patent Office merely advised that, "No action can be taken . . . , since it was filed subsequent to the termination of the interference. 35 U.S.C. § 135(c)." (Appendix of Petition at 8a). Of course, it is merely a play on the word "file" to say that the agreement in *Esso* was never filed whereas the one here was filed late. It is outrageously unrealistic to conclude that the late tender made in *Esso* is not the same as the late submission made here, or that the refusal of the Patent Office in *Esso* to accept the late tender is not the same as the Patent Office refusal here to take action on the late submission of the Moog-Bell agreements. Yet, unless one of those conclusions is reached, *Esso* cannot be distinguished, and this case is *Esso* all over again.

A document cannot be "filed" in compliance with the Statute unless it is tendered at a time when the Patent Office can lawfully receive it in compliance with the Statute. The Commissioner of Patents need not, in order to prevent evasion of the Statute, station someone at the door to physically bar the reception of documents that the Commissioner is not authorized in law to receive officially, and he need not keep the Patent Office employees from physically placing such documents in file folders.

IV.

There Was No Change in Administrative Practice Which Injured Moog or Which Needs Review by This Court

Moog's suggestion that a change in administrative practice has occurred is not supported by the record.

In order to establish that there was a change in practice on the part of the Patent Office as between *Esso* and the present case, it would be necessary to prove there was no difference in what was done by the private parties in the two cases in seeking to accomplish "filing" at a time when the Statute did not permit a legal filing. This has not been done. From all that can be learned from the opinion in *Esso,* the document there may have been proffered by way of a request to the Commissioner to file it. In the present case however, neither Moog nor Bell asked for leave to submit the document after the period provided for in the Statute. Instead, the document was just mailed in to the Patent Office.

Although the record fails to reveal the facts as to the physical handling of the documents in *Esso,* the legal effect of what the Patent Office did in both cases was exactly the same. In both, the Patent Office refused to validate a noncompliance with the Statute.

Under these circumstances, for this Court to review the objected to practice of the Commissioner of Patents (if that could be at all appropriate in the Commissioner's absence as a party) would be a meaningless, unproductive act.

V.

The Decision Below Is Clearly Correct

The only submission by Moog of alleged *error* on the part of the courts below is the failure of those

courts to consider "the legal consequence of *mere* tardiness" in filing. Petition at 10 (emphasis added). Only brief consideration of the opinions below is required to demonstrate that there was no such error, for it is only Moog who characterizes as "mere" tardiness the withholding of the agreements from the Patent Office until after the interferences had been terminated and after the patents had been issued to the parties.

The background of this case unquestionably involved a withholding of an avowedly anticompetitive agreement from the Patent Office at a time when the parties sought to have the Patent Office terminate the interferences and award blocking patents to the parties. According to the Court of Appeals:

> "this record shows that Moog and Bell did exactly what § 135 was designed to prevent. Their agreement to abrogate their previously filed agreement for cross-licensing was illegally withheld from the Patent Office. It represented the very sort of antitrust violation which § 135 was designed to restrain.
>
> * * * * * * * *
>
> "As we see the matter (and as the District Judge saw it), the withholding of the supplemental agreement cannot be considered an inadvertence. [citation and footnote omitted]. The District Court was right in finding a causal relationship between the withholding and the termination of the interference. He was also right in holding the patent in suit was 'permanently unenforceable under § 135(c).'" (Appendix of Petition at 33a-36a)

Against that background, it can hardly be said that the lower courts erred in applying the Statute as written.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be denied.

Respectfully submitted,

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Date: February 20, 1976

Supreme Court, U. S.
FILED
MAR 3 1976
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1975

No. 75-1037

MOOG INC.,

Petitioner,

vs.

PEGASUS LABORATORIES, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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IN THE

Supreme Court of the United States

October Term, 1975

No. 75-1037

MOOG INC.,

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ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITIONER'S REPLY MEMORANDUM

Respondent's restatement of the question presented is imprecise and misleading.

Respondent's restatement of the question presented, on page 2 of its opposing brief, is imprecise and misleading because of its breadth. The question posed by respondent, phrased in a negative pregnant format, is so broad as to encompass a situation where no interference settlement agreement is ever filed, a situation clearly requiring imposition of the statutory sanction of permanent unenforceability, as well as a situation where an agreement is actually filed, albeit untimely, as in the case at bar.

Esoteric meaning of "file" in statute, as urged by respondent, raises a constitutional question.

Respondent, on page 10 of its opposing brief, states:

> "A document cannot be 'filed' in compliance with the Statute unless it is tendered at a time when the Patent Office can lawfully receive it in compliance with the Statute."

The statute, 35 U.S.C. § 135(c), directs a filing time in its first sentence, i.e., before termination. However, the statute in its third sentence mandates permanent unenforceability for "failure to file", without express reference to whether this failure occurs before termination or during the other two filing times provided for in other sentences. Respondent's position is, in effect, that the statute should be read to mean failure to "so" file, or failure to file "within the times specified herein", or the like, thus imparting an esoteric meaning to "file".

Inasmuch as the penalty provision must be strictly construed and cannot be enlarged by judicial construction, retroactive application of such construction to petitioner Moog raises a serious constitutional issue as to whether the express statutory language served to adequately forewarn Moog of the operation of its penal provision. Cf., *Douglas v. Buder*, 412 U.S. 430, 432 (1973).

The same contention made here by respondent, that the Commissioner of Patents could not technically accept a tardily submitted document, was analogously made by the Director of Internal Revenue in *Pearce v. United States*, 226 F. Supp. 702 (W.D.N.Y. 1964), cited on page 12 of the Petition. There a taxpayer, through inadvertence and mistake, failed to attach to a tax return an agreement required by the tax code regulation in order to receive long term

capital gains treatment. Noting that the taxpayer would have been clearly entitled to capital gains treatment had the specified filing procedure been made, and that no facts appeared in the case to establish that this procedural default resulted from other than mere mistake and inadvertence, the court held that the refusal of the IRS to accept the late filing was an abuse of discretion.

In the factually similar case of *United States v. G. W. Van Keppel*, 321 F.2d 717 (10th Cir. 1963), also cited on page 12 of the Petition, the agreement initially not filed with the tax return was later submitted to the Director and accepted by him for filing The court observed that nothing in the statute or regulations precluded the Director from accepting an agreement filed after the prescribed period, that the interests of the government had not been jeopardized, that the Director had been neither misled nor inconvenienced, that acceptance of the late filing was discretionary, and that fairness to the taxpayers required that the Director exercise his discretion for their benefit and failure to do so would have been an abuse of discretion.

In the case at bar, the District Court found that there was no allegation that any actual prejudice resulted to anyone from the failure to timely file the supplemental agreements (Appendix to Petition at 11a). After quoting from the District Court's Second Memorandum Opinion that the "supplemental agreement was later *filed*, but not within the time prescribed by the statute" (Appendix to Petition at 17a, 29a), the Court of Appeals stated in its own language (Appendix to Petition at 33a):

> "The supplementary agreement was not *filed* until May 2, 1966, well after each and all of the potential filing dates specified in the provisions of § 135(c)." (Emphasis added.)

Thus, both Courts below found that the supplemental agreements were filed, contrary to respondent's contention, albeit such filing was untimely.

Relative to the matter of mistake or inadvertence being present in the case at bar to excuse the tardy filing, the statement made by the Court of Appeals that "the withholding of the supplemental agreement cannot be considered an inadvertence" (Appendix to Petition at 36a), flies in the face of the following uncontroverted testimony of Oser, Bell's attorney (Oser Deposition of 10/30/68, pages 44-45):

> "Q. Can you explain why, from your point of view, copies of the Supplemental Agreements, Exhibits 52 and 54, were not filed in the Patent Office before they actually were? A. I presume it was partly oversight and partly the thought that there was no need to file these agreements in the Patent Office.
>
> Q. Wasn't it a fact, Mr. Oser, that the question of priority of inventorship had been irrevocably determined as between the parties? A. This is true.
>
> Q. As far as you know, was there any deliberate withholding of the filing of copies of these Supplemental Agreements, Exhibits 52 and 54, in the Patent Office? A. No.
>
> Q. Was there any collusion or other agreement between you and Counsel for the other side with respect to withholding filing copies of these Supplemental Agreements, Exhibits 52 and 54, from the Patent Office? A. No, there certainly was not."

This overlooked testimony, still disregarded by the Court of Appeals after being expressly called to its attention on petition for rehearing, renders clearly erroneous such Court's conclusion that the delay in filing the supplemental agreement could not be considered an inadvertence.

Moreover, the Court of Appeals implied in a footnote that an opposite conclusion might have a different legal effect (Appendix to Petition at 36a).

Respondent seeks to exploit confusion of Court below that Moog and Bell negotiated grant of two patents upon one invention.

In its Opinion, the Court of Appeals stated that the patent law is not "intended to support the negotiated grant of two patents upon one invention where the purpose and effect may be that any potential licensee must pay tribute to two separate patentholders" (Appendix to Petition at 31a). The implication of this statement is that Moog and Bell somehow collusively carved up one invention into a dominant patent granted to Bell and a subservient patent granted to Moog.

Respondent, on pages 3-4 of its opposing brief, seeks to capitalize on the confusion in the mind of the Court of Appeals regarding the incorrect belief of there being only one invention involved, by referring to "broad" and "narrow" claims, suggesting only one invention with a mere difference in scope, and that Moog and Bell "split" the interferences.

Overlooked by the Court of Appeals, and its misconception self-servingly cultured by respondent, is the fact that the Patent Office (not Moog and Bell) declared the two interferences, and that an interfering claim common to two applications must be patentable to both applicants before the Patent Office is empowered to declare an interference. 37 CFR 1.201. Once declared, the sole purpose of the interference is to determine who was the first inventor of the subject matter of the interference count, i.e., the interfering claim.

Before declaring the two interferences, the Patent Office had determined that the dominant "flexure member" and subservient "flexure tube" claims defined *two separately*

patentable inventions. Accordingly, Moog and Bell did not privately negotiate the grant of two patents on one invention, as the Court of Appeals inferred, nor did they "split" one invention into broad and narrow claims, as respondent implies.

What Moog and Bell did was to settle each interference by exchanging proofs to determine priority, a common procedure and one to be encouraged. So determining priority resulted in Bell being awarded one patent granting the right to exclude others from practicing the generic invention defined in the "flexure member" claim, and in Moog being awarded the other patent granting the right to exclude others from practicing the improved species invention defined in the "flexure tube" claim.

With the principles of 35 U.S.C. § 262 in mind that joint owners of a patent may practice the patented invention without the consent of and without accounting to the other owners, in the absence of an agreement to the contrary, Moog and Bell appreciated, after the priority determinations were made, that exclusive control of each patent should belong to the assignee of the first inventor, subject to the outstanding license to the losing non-owner (Appendix to Petition at 31a-33a). This is what was achieved by the supplemental agreement, i.e., the right of the non-owner to sublicense was revoked, but the license to the non-owner remained. This change in effective ownership from joint to sole did not violate the antitrust laws, nor could possibly have had any antitrust implication, because 35 U.S.C. § 261 authorizes the general transferability of patent rights and ownership. Long ago, this Court stated in *Bement v. National Harrow Co.*, 186 U.S. 70, 91 (1902), that "the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States".

The Court of Appeals recognized effective joint ownership of the inchoate patents under the 1964 Moog-Bell agreements (Appendix to Petition at 33a), but apparently felt that separation of ownership of the two patents, achieved by the 1965 Moog-Bell supplemental agreements, was anticompetitive and *ipso facto* fraught with antitrust implications.

These "anticompetitive" and "antitrust" overtones have been picked up by respondent on page 12 of its opposing brief. They emphasize the lack of understanding of the patent laws, and also the patent laws vis-a-vis the antitrust laws, which this Court should clarify.

Respondent's brief in opposition does not erase the existence of compelling reasons for granting the petition for a writ of certiorari.

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